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On 18 January 1946 (Magyar Kozlony, No 15, 18 January 1946) and 1 January 1947 (Magyar Kozlony, No 1, 1 January 1947), the government decreed that acceptance of export orders and the issuing of import orders were subject to the permission of the Directorate of Foreign Trade. Compensation transactions, negotiated on the basis of trade agreements between Hungary and other countries, and transactions for processing foreign products within the country were exempted from the above decrees.

For the purpose of improving control over foreign trade, the functions of the Directorate of Foreign Trade, the Committee of Six, and the Interministry Council were defined.

The Directorate of Foreign Trade was to have jurisdiction over all exports and imports on the basis of contingents covered by trade agreements. Imports contracted for outside of trade agreements were to be authorized by the Committee of Six, which also made funds available for the purchase of foreign exchange for this purpose. The Interministry Council was empowered to authorize exports contracted for outside of trade agreements, as well as exports and imports under compensation agreements (monthly report of the Hungarian National Bank, No 3-4, 1947).

The decree of 17 July (Magyar Kozlony, No 169, 28 July 1946) regulated the circulation of foreign exchange, foreign securities, and gold in Hungary and also contained new regulations on the export of currency.

The above measures guaranteed the necessary state control over foreign trade and currency circulation.

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At the end of 1947 and in the first half of 1948, the government stepped into the private sector of industry. Due to the nationalization of banks in December 1947 and the nationalization in May 1948 of industrial, transportation, mining, and other enterprises having more than 100 workers, the major part of the productive capital passed into the hands of the state. As a result, the share of the state and of national enterprises in Hungary's foreign trade rose to 90 percent about the middle of 1948. The almost complete nationalization of Hungarian foreign trade which took place in the second half of 1948 guaranteed that the capitalist elements would be squeezed out.

On the basis of the law of 28 July 1948 which regulated the legal status and activity of the nationalized enterprises, the first seven national enterprises for foreign trade were set up in Hungary in fall 1948, mostly in the form of joint-stock companies.

Toward the end of 1948, more than 90 percent of the foreign trade of the country was in the hands of the state. Private capital was further squeezed out of foreign trade by the establishment of new foreign trade monopolies and the introduction of additional limitations for the private sector.

The private firms were, in essence, excluded from exports and imports and were permitted to participate in foreign trade only in cases where their operations did not conflict with the interests and policy of the state.

The creation of national enterprises for foreign trade, the considerable increase in foreign trade, and the need for the firmer ties between foreign trade and the national economic plan required the creation of a special state organ for directing and controlling foreign trade. In conjunction with Law No 15, the Ministry of Foreign Trade was formed in June 1949 (Official Handbook of Laws of the Hungarian People's Republic, 1949, Section I -- Laws and Decrees, p 74).

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According to the decree of 15 July 1949, all foreign trade transactions were subject to license by the Ministry of Foreign Trade. All previous licenses were declared void (Official Handbook of Laws, 1949, Section II -- Decrees of the Council of Ministers and of the Ministries, Vol I, p 413).

By order of the Presidium of the People's Republic of 28 December 1949, the nationalization of manufacturing industry and wholesale business was completed (Official Handbook of Laws, 1949, Section I -- Laws and Decrees, p 12). This completely eliminated the possibilities for private capital to participate in Hungary's foreign trade.

In August 1949, the Constitution of the Hungarian People's Republic was adopted. Paragraph 6 of the Constitution states "Foreign trade and wholesale business are in the hands of the state. The state conducts all commerce."

The general management of foreign trade is the responsibility of the Council of Ministers. This council confirms international treaties not requiring ratification, conducts foreign trade negotiations, appoints and recalls delegates for carrying out trade negotiations, and appoints and recalls commercial attaches.

The National Economic Council, created in June 1949 [sic], plays an important role in the field of foreign trade (Law No 16 Official Handbook of Laws, 1949, Section I -- Laws and Decrees, p 74). It regulates trade, determines the nature of trade relations between Hungary and foreign states, coordinates foreign trade plans with the national economic plan and the work of the Ministry of Foreign Trade with the work of other departments, and sets up and modifies the organization of foreign trade. Foreign trade is planned by the National Planning Office in cooperation with the Ministry of Foreign Trade.

In May 1951, the Import Council was set up. It investigates and authorizes proposed imports. The president of the National Planning Office directs the work of this council.

The accumulation and distribution of foreign exchange, the control over the circulation of precious metals, and the management of customs are under the jurisdiction of the Ministry of Finance.

The Financial Commission of State Enterprises was set up as a consulting organ attached to the Ministry of Finance. It has subcommissions, among them one for foreign trade. The staff of the latter includes representatives of the ministries of Finance and Foreign Trade and of the National Bank.

The Ministry of Foreign Trade guarantees the fulfillment of export and import plans, exercises control over foreign trade transactions, supervises the activities of Hungarian foreign trade enterprises and commercial attaches, controls the work of MASPED (Magyar Altalanos Szallitmaryozasi Vallalat, Hungarian General Forwarding Enterprise), directs the activity of the Hungarian Chamber of Commerce, etc.

Through the law on the Five Year Plan the foreign trade organs were given the task of cooperating in the industrialization of the country by importing raw materials needed for the national economy, equipping industry, and stimulating exports to raise the foreign exchange required for imports. For the purpose of fulfilling these tasks, the Ministry of Foreign Trade was reorganized in July 1950.

Due to the great increase in commodity exchange between Hungary and the USSR and other People's Democracies, a special Administration for Countries With Planned Economy was set up under the Ministry. The task of this administration

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is to control commodity exchange with the USSR, other People's Democracies, and the German Democratic Republic. Hungary's trade with other countries is controlled by the Administration for Western Countries.

The Financial Commission for Foreign Trade, which was at first under the direction of the Ministry of Finance; was transferred to the Ministry of Foreign Trade. The representative of the Ministry of Finance is the president of the commission, and members include representatives of the industrial ministries, the Ministry of Finance, the National Planning Office, and the Hungarian National Bank.

The legal position and the sphere of activity of the foreign trade enterprises were regulated by a decree of the Presidium of the Hungarian People's Republic (*Magyar Kozlony*, No 132-134, 6 August 1950). The state, as guarantor, has assumed unlimited responsibility for commitments of state enterprises.

The foreign trade enterprises are legal persons; they can assume obligations in carrying out their activities under the direct supervision of the Ministry of Foreign Trade. At the head of the enterprise is the director, appointed by the Minister of Foreign Trade. The director represents the enterprise before other enterprises, organizations, persons, and authorities. He is personally responsible for its activities.

Power of attorney for the foreign trade enterprise is held by the director and by employees authorized by the director. The documents of the enterprise have binding force in the event that they are signed by the director or by at least two authorized employees.

The decree of 6 August 1950 permits certain enterprises to function as joint-stock companies by the authorization of the Council of Ministers.

The foreign trade enterprises operate under the direct control of the Ministry of Foreign Trade, with the exceptions of MAFILM (*Magyar Filmforgalmi Vallalat*, Hungarian Film Trading Enterprise) and MAVAD (*Magyar Vad tenyeszto es Kereskedelmi Vallalat*, Hungarian Game Breeding and Trading Enterprise), which, administratively, are subject to different departments.

The transportation of export and import cargoes is entrusted by the foreign trade enterprises to MASPED which is under the jurisdiction of the Ministry of Communication. However, the Ministry of Foreign Trade takes direct part in managing the activity of MASPED and exercises control over it.

Foreign trade cargoes are in part forwarded by the Meszhart Soviet-Hungarian Steamship Line, organized in March 1946. The Meszhart transports cargoes between Hungarian and foreign ports; stores cargoes; issues warehouse, mortgage, and guarantee certificates; clears cargoes of customs duties; pays the taxes and duties on the shipments; selects the ports of entry and exit; acts as representative for foreign transport companies etc. Insurance of foreign trade cargoes is done jointly by the Hungarian State Insurance Company and KEBIRT /Keleteuropai Bistosito Reszveny Tarsasag, East European Insurance Company/ through their general offices.

According to the decree of the Presidium of the Hungarian People's Republic of 2 August 1950 (The Regulation of Planned Foreign Exchange Management) neither Hungarian nor foreign citizens have the right, without the permission of the foreign exchange organs, to import, export, or sell within Hungary domestic currency, foreign exchange, gold, or platinum.

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Unless the foreign exchange authorities have authorized other means of payment, the payments of Hungarian debtors to foreign creditors are made in domestic currency into the blocked forint account of the foreigner, who can use these funds only with the permission of the foreign exchange authorities. It is also forbidden to make use, without permission, of credit given by a foreigner either in domestic or foreign currency or to establish credits for foreigners. The above limitations, however, do not apply to the operations of the Ministry of Finance or the Hungarian National Bank.

Together with the regulation of the foreign exchange transactions, the decree also regulates foreign trade transactions. According to Paragraph 39 of the decree, "negotiations for delivery of goods abroad, for import of goods from abroad, or for the processing of domestic raw materials abroad, or of import raw materials within the country are allowed only if the permission of the Ministry of Foreign Trade is first obtained." These limitations do not apply to agreements concluded by Hungarian foreign trade organizations.

Export and import operations are permitted only if the proper licenses are obtained. These licenses are issued by the foreign exchange authorities with the permission of the Ministry of Foreign Trade. Hungarian and foreign citizens can export goods only with the permission of the Ministry of Foreign Trade, while export of valuables is subject to authorization by the Ministry of Finance and the Hungarian National Bank. The Hungarian National Bank handles all transactions involving gold and foreign currency (through the Foreign Trade Bank). The Hungarian National Bank has the right to conclude transactions and perform financial operations, both at home and abroad.

According to the decree of the National Economic Council of 17 August 1950, the financing of exports and imports is carried out by means of revolving credits for groups of goods on a quarterly plan basis. The foreign trade enterprises are required to give the Hungarian National Bank a monthly accounting as to the use of the credit accorded to them. In addition, the Hungarian National Bank accords the foreign trade enterprises special-purpose credits for goods stored in the warehouses of the foreign trade enterprises, for payment of export goods in the process of production, and for averting temporary financial difficulties arising from delay in the acceptance of goods. At present, the foreign trade enterprises have no working capital of their own, and their financial needs are covered exclusively by credits.

Disputes arising from foreign trade transactions in which one of the parties is a foreign person are settled by the Foreign Trade Arbitration Commission attached to the Chamber of Commerce, provided that both parties agree to arbitration. The procedure is regulated by decree of the Minister of Foreign Trade No 27, of 1951. The decision of the Arbitration Commission is final and cannot be appealed.

Hungary did not participate in the Geneva Convention of 26 September 1927 on foreign trade arbitration and did not recognize, under the Horthy regime, any decisions made under the provisions of the convention. A foreign party could, on the basis of a decision on the basis of a decision in its favor, exercise its rights only by appealing to a Hungarian court for so-called "action for fulfillment of a treaty." To bring such a suit, it was necessary to submit to the court the arbitration agreement of the parties and the decision of the foreign arbitration committee. Without examining the decisions of the foreign arbitration committees, in essence, the court accepted as true and lawful the declarations of the parties and other proofs which had served as a basis for the decision made by the foreign arbitration committee and established the following:

1. Whether the parties agreed on arbitration.

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2. Whether the rules for arbitration existing in a given foreign state had been observed (was the party given a hearing, was the party which did not appear invited to examine the matter according to established procedure, etc).

3. Whether the decision made by the arbitrators conflicted with the law, social order, or morals; whether the decision required the party to do the impossible.

4. Whether the decision is valid on the basis of existing legislation in a given foreign state.

5. Whether there is reciprocity between Hungary and the state in which the decision was made (the Ministry of Justice decides whether reciprocity exists).

At present, Hungary has no agreements with capitalist countries concerning the carrying out of decisions of foreign arbitration organs and does not recognize the decisions of the foreign trade arbitration organs of capitalist countries.

The situation is different between Hungary and the USSR and other People's Democracies. In striving to expand and stabilize its trade relations with the latter countries, Hungary has recognized arbitration decisions made in these countries.

In particular, Article 17 of the Treaty of Trade and Navigation concluded between the USSR and Hungary on 15 July 1947 recognizes arbitration decisions on disputes which may arise from trade transactions concluded by citizens, organizations, or institutions of the two countries, if arbitration was provided for in the transaction itself or in a separate agreement. The arbitration decision may be rejected in case it has not been tested under the laws of the country in which the decision was made.

Hungary has also concluded a reciprocal agreement with Poland on arbitration and is negotiating similar agreements with other People's Democracies.

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